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KENDRICK BROTHERS CONSTRUCTION COMPANY, INC.

5263 S. 300 West

Murray, Utah 84107

Phone 268-2486

June 29, 1981

U.S. Steel Corporation
Western District Coal
East Carbon, Utah

Re: Availability and Purchase of excess water.

Dear Mr. Watson:

As per our telephone conversation on June 26, 1981, I am formally requesting your cooperation in negotiating the purchase of any water that is available on your properties.

We are presently interested in the discharge water from your present mine at Horse Canyon and the potential water that is in the old Columbia mines.

We realize that the Columbia mines are sealed and it will require either breaking the seal or drilling to evaluate the quantity of the water. We request from you, the terms and conditions to allow us on the property to evaluate the water quantity.

We feel that drilling would give us quantities of existing water but we may have to open a portal to measure the amount of water that leaches into the mine on a continual basis. Our activity at Sunnyside, East Carbon will be a long range project of many years, therefore, we will need water for the life of the project.

Your written response to the request would be greatly appreciated. We have all of the key people contracted for expediting the implementation of the facility at Sunnyside. The contract for the extraction of material for the feasibility study is in place and we will proceed as soon as the permits are granted from the Utah State Division of Oil, Gas and Mining. We have been assured that these permits will be granted within 2 weeks.

Attached you will find a copy of the letter to proceed from Great National Corporation.

The data on the water availability is of vital importance to our application for permitting and financing on the overall project. Your immediate response to this request would be greatly appreciated.

Sincerely,

Thomas R. Kendrick